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Bugs tipped off arms deal

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WASHINGTON—Electronic eavesdropping on Mideast arms dealers is believed to have provided key tipoffs to the secret funding of the contras with profits from Iran arms sales.

Attorney General Edwin Meese said that it was not until he ordered a "thorough review of a number of intercepts and other materials" over the weekend that he learned there was a "high

Dealers were tapped

probability" that contra money-laundering had occurred.

Meese gave no details but it was believed that the Pentagon's top-secret National Security Agency, which has worldwide electronic eavesdropping facilities, was tuned into phone or radio conversations among Mideast arms dealers and overheard talk about Iranian and Israeli transactions that

poured money into secret contra Swiss bank accounts.

What is not known is how long the NSA had this evidence, suggesting possible crimes by U.S. officials, before turning it over to the Justice Department.

In a variety of scandals over the years, from Watergate to Koreagate to contra-gate, both the NSA and the CIA have been reluctant to jeopardize sources and

methods by volunteering key information on U.S. wrongdoing to Justice probes.

But in a departure, Adm. Bobby Inman, former head of NSA and deputy CIA director, played a key role in uncovering a Carter administration scandal involving the Libyan business dealings of the President's brother, Billy.

The Daily News learned that back in 1980, Inman, now retired, bypassed the National Security Council and personally went straight to then-Attorney General Ben Civiletti with NSA-intercept material indicating that Billy Carter had received thousands of dollars in "loans" from Libya.

Withheld source

Inman told Civiletti not to reveal the source but Civiletti failed to tell anyone, including his own aides, thereby withholding a key bit of information from FBI agents until they found out on their own three months later.

Inman was said to believe at the time that the NSC, chaired by President Carter, would block any real probe of Billy. Justice ethics chief, Michael Shaheen, in a classified report, later criticized Civiletti for withholding the information.

Billy was not prosecuted but belatedly registered for a short while as a Libyan foreign agent.